



DEFENSE LOGISTICS AGENCY
THE DEFENSE CONTRACT MANAGEMENT COMMAND
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AUG 13 1996

IN REPLY
REFER TO AQOE

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT
DISTRICTS

SUBJECT: DCMC Memorandum No. 96-41, Performance Based Payments (PBPs) Invoicing
Procedure (POLICY)

This is a POLICY memorandum. It expires when content is included in DLAD 5000.4, Contract Management (One Book), not to exceed one year. Target Audience: DCMC Supervisors, Administrative Contracting Officers (ACOS) and Contract Administrators.

This policy memorandum addresses and establishes the procedure to be used by ACOS when contractors invoice against completed performance based events. Previous DCMC Policy Letter 96-02, dated February 13, 1996, addresses performance based contracts established in Federal Acquisition Regulation 32.1 as published in Federal Acquisition Circular 90-33. It provides basic information on performance based contracting while this memorandum gives supplemental information on proper invoicing procedures for PBPs and the ACO'S role in payment. Final policy guidance will be issued when the payment process becomes fully automated.

PBPs are monthly contract financing payments for performance events and not payments for deliverables. Contractors should use commercial invoices to make payment requests for completed performance events. The following forms are not to be used: SF 1034, Public Voucher for Purchases and Services Other Than Personal; SF 1443, Contractor's Request for Progress Payment; and DD Form 250, Material Inspections and Receiving Report. The DD Form 250 will only be used for delivery item acceptances. PBPs are to be liquidated from contract deliverables.

The attachment provides guidance for processing PBP requests. Any questions you have may be directed to Ms. Elaine Philpott, Payment, Closeout and Property Team (AQOE), at (703)767-3431 or DSN 427-3431. The Internet address is [elaine~hilpott\(tj\)hq.dla.mil](mailto:elaine~hilpott(tj)hq.dla.mil).

ROBERT W. DREWES
Major General, USAF
Commander

Attachment

GUIDANCE FOR PROCESSING PERFORMANCE BASED PAYMENTS

In administration of contracts with Federal Acquisition Regulation (FAR) clause 52.232-32, Performance-Based Payments (PBP), the Administrative Contracting Officer (ACO) is responsible for processing invoices for payment. The following information is provided as policy guidance:

a. **Event Completion** The ACO is required to determine whether the event or performance criterion for which payment is requested has been successfully accomplished in its entirety in accordance with the contract. If an event is cumulative, the ACO will not approve a PBP unless all identified preceding events or criteria are accomplished. The ACO will not approve a partial payment on a PBP unless the Procuring Contracting Officer (PCO) has modified the performance based event/criterion. PBP events or schedules can only be modified via an SF 30, Amendment of Solicitation/Modification of Contract. The ACO can reduce a PBP & for (1) failure of the contractor to comply with any material requirement of the contract, (2) performance of the contract is endangered by the contractor's failure to make progress or unsatisfactory financial condition, or (3) the contractor is delinquent in the payment of any subcontractor or supplier under this contract in the ordinary course of business.

b. **Invoice Frequency** ACOS should ensure that PBPs are invoiced no more frequently than once a month and all requests for payments in any period against a given contract are appropriately itemized and totaled by the contractor in a single submission unless alternate methods of invoicing are authorized by the Contracting Officer per FAR 52.232-32(b).

c. **Invoice Data** The ACO must ensure the commercial invoice contains information required in FAR 52.232-32(1) and (m), as follows:

- (1) Name and address of the contractor
- (2) Date of the request for PBP
- (3) The contract number and other identifier of the contractor order under which the request is made.
- (4) Such information and documentation as is required by the contract's description of the basis for payment.
- (5) Inclusion of the contractor certification as stated at FAR 52.232-32(m). This certification shall be part of the invoice as submitted for payment authorization and transmittal to the payment office.

The ACO should cover areas a through c above during a Post Award Conference, formally or informally.

d. **Date Stamp** The ACO must ensure the request for payment is date stamped upon receipt. This action is necessary to create an audit trail for prompt payment purposes. The ACO will also date the request for payment at the time of signature. As a new form of financing, proposed Defense FAR Supplement coverage requires payment within 14 days from date of receipt by the ACO.

e. **ACRN Allocation** The ACO must ensure inclusion of instructions for payment allocation in accordance with the contract. For contracts with multiple Accounting Classification Reference Numbers (ACRNS), instructions shall include an ACRN and Foreign Military Sales country code breakout. If payment instructions are not detailed in the contract, a contract modification to correct this initial oversight is required from the PCO. FAR precludes obtaining this allocation from the contractor.

f. **PBP Invoice Identification Mark** Prior to ACO transmittal of the signed invoice to the Defense Finance and Accounting Service (DFAS), annotate the invoice in red “PBP” for easy identification as a financing payment.

The following information pertains to establishment and tracking of payments by ACOS and contract administrators through Mechanization of Contract Administration Services (MOCAS):

Pending automation of this new form of financing, manual processing by Defense Finance and Accounting Service (DFAS) is required. Contracts with PBP provisions may be identified by the ACO in Mechanization of Contract Administration Services (MOCAS) via ACO Standard Coded Remark (R9) “38.” Unliquidated PBPs will be recorded by DFAS in MOCAS in the Progress Payment Unliquidated Obligation (PPULO) field for each applicable ACRN on the contract. However, no progress payment master shall or need be established by the ACO for PBPs. To aid the ACOS and contract administrators in locating PBPs in the MOCAS disbursement history, DFAS will utilize shipment numbers beginning with “PBP” (PBPA for United States disbursements and PBPB for FMS disbursements).